GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2113
ANSWERED ON:28.07.2017
Shell/Ponzi Companies
Somaiya Dr. Kirit

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has formed a task force to examine the details of shell companies/ponzy companies/khoka companies and if so, the details thereof along with the action taken in this regard till date;
(b) the details of the outcome of the enquiry so far and the action taken thereof;
(c) whether his Ministry/Department and other agencies are sharing their information with all other concerned agencies so that these companies and their directors/owners can be booked and if so, the details thereof;
(d) whether the Government has taken any steps to freeze/make non-operational the bank accounts of the companies and their directors/owners and if so, the details thereof;
(e) whether any other steps are being taken so that the companies and their directors/owners shall not open new accounts in any banks in India; and
(f) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF STATE FOR FINANCE
(SHRI SANTOSH KUMAR GANGWAR)

(a) & (b): A 'Task Force on Shell Companies' under the Joint Chairmanship of Revenue Secretary and Secretary, Ministry of Corporate Affairs was constituted in February, 2017 for effectively tackling the malpractices by such companies in a comprehensive manner adopting whole of the government approach. Other members of the Task Force are from Department of Financial Services, Central Board of Direct Taxes, Central Board of Excise & Customs, Central Bureau of Investigation, Enforcement Directorate, Serious Fraud Investigation Office and Financial Intelligence Unit. The task Force has held five meetings so far. Decisions taken by the Task Force focusing upon most effective and expeditious actions against shell companies and associated persons by the agencies concerned have duly been taken forward. Brief highlights of actions taken against shell companies in recent past include the following:
(i) With a view to have consolidated relevant information at one place and based upon inputs from all law enforcement agencies, the Serious Fraud Investigation Office under the Ministry of Corporate Affairs has undertaken the exercise of preparing comprehensive digital database of shell companies and their associates that were identified by various law enforcement agencies.
(ii) During last three financial years (2013-14 to 2015-16), investigations by the Income-tax Department have led to detection of more than 1155 shell companies/entities which were used as conduits by over 22,000 beneficiaries. The amount involved in non-genuine transactions of such beneficiaries was more than Rs 13,300 crore. Criminal Prosecution complaints have been filed by
the Income-tax Department against 47 persons. Action against such companies, the beneficiaries of non-genuine transactions and other persons associated therewith under the Direct Taxes law is a continuous process and includes searches, surveys, enquiries, assessment of income, levy of taxes, penalties, etc. and filing of prosecution complaints in criminal courts, wherever applicable.
(iii) Enforcement Directorate conducted nationwide searched in 16 states on 01.04.2017 in respect of shell companies and related professionals who were behind the creation and operation of these Companies.
(iv) The CBI has registered 30 cases against 201 shell companies during the last 3 years viz. 2014, 2015, 2016 and the current year as on 28.2.2017.
(vi) FIU-India Out of these, charge-sheets have been filed in 17 cases.
(v) As on 12.07.2017, Ministry of Corporate Affairs has removed 1,62,618 Companies from the Register of Companies by following the due process under Section 248 of the Companies Act, 2013. Further, the exercise of identification of the directors of the companies defaulting in filing of Financial Statements or Annual Returns for continuous period of three financial years has been undertaken as part of the ongoing process for disqualification for reappointment as director in that company or in other company for a period of five years u/s 164(2) of the Companies Act, 2013.
(vi) FIU-India has also alerted its Reporting Entities on shell companies for enhanced due diligence.
(c): Mechanism for sharing of information between various law enforcement agencies is already in place under the Regional Economic Intelligence Council (REIC) and Central Economic Intelligence Bureau (CEIB) forums. Further, with a view to streamline and strengthen the information sharing mechanism, a new Standard Operating Procedure (SOP) on sharing of information between various law enforcement agencies has been agreed to under the aegis of the Task Force.
Disclosure of information in respect of specific persons, however, is prohibited except as provided under section 138 of the Income-tax Act, 1961.

(d) to (f): The Government had requested the Reserve Bank of India (RBI) for freezing of accounts of the defaulting companies who have long exceeded the stipulated time limit, for filing of Financials Statements and returns, under the Companies Act. The RBI has informed that, at present, it has no powers to freeze such accounts. Moreover, freezing orders issued by the Government as per the provisions of the relevant statutes such as Unlawful Activities Prevention Act or Foreign Contribution Regulation Act, are communicated by the RBI to the banks.

Further, the Government has requested the RBI to circulate the details of defaulting companies to all the banks with the advice to exercise enhanced due diligence while dealing with these companies.